



## Agenda Item 4c

March 16, 2011

### TO: MEMBERS OF THE FINANCE COMMITTEE

- I. **SUBJECT:** Audit Resolution Policy
- II. **PROGRAM:** Audit Services
- III. **RECOMMENDATION:** Adoption of the revised Audit Resolution Policy
- IV. **ANALYSIS:**

This agenda item is to propose revisions to the existing Audit Resolution Policy, which was last updated and approved by the Board of Administration in June 2005. The policy is updated periodically. The revised policy includes a new process for internal audit finding resolution consistent with the steps described in the Special Review Recommendations and Implementation Plan accepted by the Board of Administration on February 16, 2011.

The proposed revised policy is set forth in Attachment A. (A red-line/strikeout version is attached as Attachment B.) The key changes from the current policy include the following:

- Incorporation of the new Executive Risk Committee and Chief Risk Officer roles in the audit resolution process.
- Findings unresolved after six months from the date of the final audit report shall now be reported to the Executive Risk Committee.
- Findings unresolved after one year will now require the appropriate executive management's written acceptance of risk and explanation.
- Risk acceptance will be reported to the Risk Committee or Finance Committee as appropriate.

The current policy requires an executive-approved corrective action plan to be submitted for all internal audit findings unresolved after one year from the date of the final audit report. However, Office of Audit Services has found this process to be ineffective at times, as evidenced by the number of findings that have remained unresolved for multiple years. The new policy will ensure acknowledgement of the level of risk accepted by management for findings not resolved within one year.

For transition to the new process, those findings outstanding for more than one year as of December 31, 2010 are proposed to be addressed by providing management with a phase-in period for the new process. We propose a phase-in period whereby any finding still unresolved by June 30, 2010 would fall under the new acceptance of risk process.

**V. STRATEGIC PLAN:**

This item is not a specific product of the Strategic Plan but is part of the regular and ongoing workload of the Office of Audit Services.

**VI. RESULTS/COSTS:**

There are no additional costs associated with this item.

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MARGARET JUNKER, Chief  
Office of Audit Services

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PETER H. MIXON  
General Counsel

Attachments